

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF MILLINGTON

Tuscola County, Michigan

FINANCIAL STATEMENTS

February 28, 2007

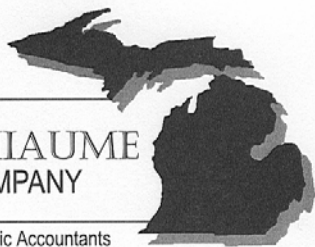
VILLAGE OF MILLINGTON

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Millington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007, on our consideration of the Village of Millington's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Millington's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

April 25, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

STATEMENT OF NET ASSETS

February 28, 2007

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Downtown Development Authority</i>
Assets:				
Cash and cash equivalents	\$ 402,708	\$ 49,338	\$ 452,046	\$ 13,283
Receivables	113,944	44,172	158,116	72,994
Inventory	-	13,931	13,931	-
Restricted cash and cash equivalents	-	368,549	368,549	-
Capital assets:				
Nondepreciable capital assets	11,500	-	11,500	-
Depreciable capital assets, net	1,178,229	2,806,789	3,985,018	-
Other	-	52,720	52,720	-
Total assets	<u>1,706,381</u>	<u>3,335,499</u>	<u>5,041,880</u>	<u>86,277</u>
Liabilities:				
Accounts payable and accrued expenses	63,066	36,200	99,266	22,613
Long-term liabilities:				
Due within one year	3,000	57,000	60,000	22,995
Due in more than one year	<u>37,500</u>	<u>1,684,000</u>	<u>1,721,500</u>	<u>309,950</u>
Total liabilities	<u>103,566</u>	<u>1,777,200</u>	<u>1,880,766</u>	<u>355,558</u>
Net assets:				
Invested in capital assets, net of related debt	1,149,229	1,081,373	2,230,602	-
Restricted for:				
Debt service	-	85,982	85,982	-
Repair, replacement, and improvements	-	282,567	282,567	-
Streets	309,133	-	309,133	-
Unrestricted net assets (deficit)	<u>144,453</u>	<u>108,377</u>	<u>252,830</u>	<u>(269,281)</u>
Total net assets	<u>\$ 1,602,815</u>	<u>\$ 1,558,299</u>	<u>\$ 3,161,114</u>	<u>\$ (269,281)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 145,760	\$ 23,926	\$ -	\$ -	\$ (121,834)
Public safety	94,337	920	1,233	-	(92,184)
Public works	340,070	64,439	115,174	7,262	(153,195)
Community and economic development	-	1,200	-	-	1,200
Recreation and culture	6,875	-	-	-	(6,875)
Interest on long-term debt	2,030	-	-	-	(2,030)
Total governmental activities	<u>589,072</u>	<u>90,485</u>	<u>116,407</u>	<u>7,262</u>	<u>(374,918)</u>
<i>Business-type activities:</i>					
Sewer	189,020	118,880	-	69,500	(640)
Water	245,641	242,292	-	-	(3,349)
Industrial development	10,694	-	-	-	(10,694)
Total business-type activities	<u>445,355</u>	<u>361,172</u>	<u>-</u>	<u>69,500</u>	<u>(14,683)</u>
Total primary government	<u>\$1,034,427</u>	<u>\$ 451,657</u>	<u>\$ 116,407</u>	<u>\$ 76,762</u>	<u>\$ (389,601)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 42,390</u>	<u>\$ -</u>	<u>\$ 2,950</u>	<u>\$ 7,053</u>	<u>\$ (32,387)</u>
Total component units	<u>\$ 42,390</u>	<u>\$ -</u>	<u>\$ 2,950</u>	<u>\$ 7,053</u>	<u>\$ (32,387)</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (374,918)	\$ (14,683)	\$ (389,601)	\$ (32,387)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	257,129	-	257,129	-
Property taxes captured by component unit	-	-	-	72,994
Grants and contributions not restricted to specific programs	118,747	-	118,747	-
Unrestricted investment earnings	10,660	12,371	23,031	-
Special item - Gain on sale of capital asset	7,011	2,208	9,219	-
Transfers	(56,780)	56,780	-	-
Total general revenues, contributions and special items	336,767	71,359	408,126	72,994
Change in net assets	(38,151)	56,676	18,525	40,607
Net assets (deficit), beginning of year	1,640,966	1,501,623	3,142,589	(309,888)
Net assets (deficit), end of year	\$ 1,602,815	\$ 1,558,299	\$ 3,161,114	\$ (269,281)

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2007

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 115,697	\$ 29,973	\$ 230,117	\$ 12,496	\$ 388,283
Accounts receivable	-	-	-	9,007	9,007
Due from other governmental units	<u>55,894</u>	<u>23,804</u>	<u>25,239</u>	<u>-</u>	<u>104,937</u>
Total assets	<u>\$ 171,591</u>	<u>\$ 53,777</u>	<u>\$ 255,356</u>	<u>\$ 21,503</u>	<u>\$ 502,227</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 5,876	\$ -	\$ -	\$ 3,647	\$ 9,523
Due to component unit	<u>51,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,908</u>
Total liabilities	<u>57,784</u>	<u>-</u>	<u>-</u>	<u>3,647</u>	<u>61,431</u>
Fund balances:					
Unreserved:					
General fund	113,807	-	-	-	113,807
Special revenue funds	<u>-</u>	<u>53,777</u>	<u>255,356</u>	<u>17,856</u>	<u>326,989</u>
Total fund balances	<u>113,807</u>	<u>53,777</u>	<u>255,356</u>	<u>17,856</u>	<u>440,796</u>
Total liabilities and fund balances	<u>\$ 171,591</u>	<u>\$ 53,777</u>	<u>\$ 255,356</u>	<u>\$ 21,503</u>	<u>\$ 502,227</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2007

Total fund balances for governmental funds \$ 440,796

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,077,806	
Less accumulated depreciation	<u>(67,244)</u>	1,010,562

The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

151,457

Net assets of governmental activities

\$ 1,602,815

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2007

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 208,106	\$ -	\$ -	\$ 52,111	\$ 260,217
State grants	119,980	59,802	23,982	-	203,764
Contributions from other units	17,262	10,481	20,909	-	48,652
Charges for services	2,638	-	-	64,439	67,077
Interest and rents	5,541	1,627	4,074	960	12,202
Other revenue	8,120	-	-	-	8,120
Total revenues	<u>361,647</u>	<u>71,910</u>	<u>48,965</u>	<u>117,510</u>	<u>600,032</u>
Expenditures:					
Current					
General government	138,226	-	-	-	138,226
Public safety	92,627	-	-	-	92,627
Public works	104,168	98,988	37,704	75,531	316,391
Recreation and culture	6,875	-	-	-	6,875
Capital outlay	<u>124,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,712</u>
Total expenditures	<u>466,608</u>	<u>98,988</u>	<u>37,704</u>	<u>75,531</u>	<u>678,831</u>
Excess (deficiency) of revenues over expenditures	<u>(104,961)</u>	<u>(27,078)</u>	<u>11,261</u>	<u>41,979</u>	<u>(78,799)</u>
Other financing sources (uses):					
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(56,780)</u>	<u>(66,780)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(56,780)</u>	<u>(66,780)</u>
Net change in fund balances	(114,961)	(27,078)	11,261	(14,801)	(145,579)
Fund balances, beginning of year	<u>228,768</u>	<u>80,855</u>	<u>244,095</u>	<u>32,657</u>	<u>586,375</u>
Fund balances, end of year	<u>\$ 113,807</u>	<u>\$ 53,777</u>	<u>\$ 255,356</u>	<u>\$ 17,856</u>	<u>\$ 440,796</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 28, 2007

Net change in fund balances - total governmental funds \$ (145,579)

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	124,712	
Less depreciation expense	<u>(22,694)</u>	102,018

The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>5,410</u>
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Change in net assets of governmental activities \$ (38,151)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

February 28, 2007

	Business-type Activities				Governmental
	Enterprise funds				Activities
	Major		Non-Major		
	Sewer Fund	Water Fund	Industrial Development Fund	Total Enterprise Funds	Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 17,309	\$ 14,776	\$ 17,253	\$ 49,338	\$ 14,425
Accounts receivable	16,217	27,955	-	44,172	-
Inventory	2,115	11,816	-	13,931	-
Total current assets	35,641	54,547	17,253	107,441	14,425
Noncurrent assets:					
Restricted cash and cash equivalents	225,518	143,031	-	368,549	-
Capital assets:					
Nondepreciable capital assets	-	-	15,584	15,584	-
Depreciable capital assets, net	1,384,405	1,422,384	-	2,806,789	179,167
Deferred charges	37,136	-	-	37,136	-
Total noncurrent assets	1,647,059	1,565,415	15,584	3,228,058	179,167
Total assets	1,682,700	1,619,962	32,837	3,335,499	193,592
Liabilities:					
Current liabilities:					
Accounts payable	395	1,028	-	1,423	1,154
Accrued expenses	6,422	28,355	-	34,777	481
Current long-term debt	15,000	42,000	-	57,000	3,000
Total current liabilities	21,817	71,383	-	93,200	4,635
Noncurrent liabilities:					
Long-term debt	560,000	1,124,000	-	1,684,000	37,500
Total noncurrent liabilities	560,000	1,124,000	-	1,684,000	37,500
Total liabilities	581,817	1,195,383	-	1,777,200	42,135
Net assets:					
Invested in capital assets, net of related debt	809,405	256,384	15,584	1,081,373	138,667
Restricted for:					
Debt service	-	85,982	-	85,982	-
Replacement of capital assets	225,518	57,049	-	282,567	-
Unrestricted	65,960	25,164	17,253	108,377	12,790
Total net assets	\$ 1,100,883	\$ 424,579	\$ 32,837	\$ 1,558,299	\$ 151,457

The accompanying notes are an integral part of these financial statements

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2007

	<i>Business-type Activities</i> <i>Enterprise funds</i>			<i>Governmental</i> <i>Activities</i>
	<i>Major</i>		<i>Non-Major</i>	
	<i>Sewer</i> <i>Fund</i>	<i>Water</i> <i>Fund</i>	<i>Industrial</i> <i>Development</i> <i>Fund</i>	<i>Total</i> <i>Enterprise</i> <i>Funds</i>
				<i>Internal</i> <i>Service</i> <i>Funds</i>
Operating revenues:				
Charges for services	\$ 117,425	\$ 212,880	\$ -	\$ 330,305
Penalties	1,455	6,841	-	8,296
Equipment rental	-	-	-	-
				52,653
Total operating revenues	118,880	219,721	-	338,601
				52,653
Operating expenses:				
Personnel	27,923	45,087	-	73,010
Fringe benefits	12,381	17,062	-	29,443
Supplies	4,070	18,895	-	22,965
Contracted services	20,683	34,495	10,694	65,872
Telephone	-	240	-	240
Mileage	374	381	-	755
Dues and membership fees	-	830	-	830
Education and training	343	-	-	343
Printing and publishing	542	1,039	-	1,581
Insurance	1,491	9,236	-	10,727
Utilities	3,880	7,468	-	11,348
Repairs and maintenance	38,981	-	-	38,981
Equipment rental	10,968	6,462	-	17,430
Other services and supplies	-	542	-	542
Depreciation	44,089	44,128	-	88,217
				29,390
Total operating expenses	165,725	185,865	10,694	362,284
				62,882
Operating income (loss)	(46,845)	33,856	(10,694)	(23,683)
				(10,229)

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, continued

Year Ended February 28, 2007

	Business-type Activities			Governmental	
	Enterprise funds			Activities	
	Major		Non-Major		
	Sewer	Water	Industrial	Total	Internal
	Fund	Fund	Development	Enterprise	Service
	Fund	Fund	Fund	Funds	Funds
Non-operating revenues (expenses);					
Federal grants	69,500	-	-	69,500	-
Interest income	7,150	4,691	530	12,371	658
Rental income	-	22,571	-	22,571	-
Gain on sale of asset	-	-	2,208	2,208	7,011
Amortization of Deferred Finance Costs	(1,955)	-	-	(1,955)	-
Interest expense	(21,340)	(59,776)	-	(81,116)	(2,030)
Total non-operating revenues					
(expenses)	53,355	(32,514)	2,738	23,579	5,639
Net income (loss) before					
operating transfers	6,510	1,342	(7,956)	(104)	(4,590)
Operating transfers:					
Transfer from other funds	56,780	-	-	56,780	10,000
Total operating transfers	56,780	-	-	56,780	10,000
Net income (loss)	63,290	1,342	(7,956)	56,676	5,410
Net assets, beginning of year	1,037,593	423,237	40,793	1,501,623	146,047
Net assets, end of year	\$ 1,100,883	\$ 424,579	\$ 32,837	\$ 1,558,299	\$ 151,457

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2007

	Business-type Activities			Governmental
	Enterprise funds			Activities
	Major	Non-Major		
		Industrial	Total	Internal
	Sewer	Water	Enterprise	Service
	Fund	Fund	Funds	Funds
Cash flow from operating activities:				
Cash received from customers	\$116,779	\$217,242	\$ -	\$ 334,021
Cash received for interfund services				
services	-	-	-	52,653
Cash payments to employees	(27,923)	(45,087)	-	(73,010)
Cash payments to suppliers for				
goods and services	(136,055)	(98,970)	(10,694)	(245,719)
				(30,217)
Net cash provided (used) by				
operating activities	(47,199)	73,185	(10,694)	15,292
				19,759
Cash flows from non-capital				
financing activities:				
Operating transfers in	56,780	-	-	56,780
				10,000
Net cash provided (used)				
by non-capital financing				
activities	56,780	-	-	56,780
				10,000
Cash flows from capital and related				
financing activities:				
Federal grants	69,500	-	-	69,500
Acquisition and construction of capital assets	(186,173)	-	7,793	(178,380)
Proceeds from the sale of assets	-	-	2,208	2,208
Principal payments	(15,000)	(42,000)	-	(57,000)
Interest paid	(21,340)	(59,776)	-	(81,116)
				(2,030)
Net cash used by capital and related				
financing activities	(153,013)	(101,776)	10,001	(244,788)
				(59,862)

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, continued

Year Ended February 28, 2007

	<i>Business-type Activities</i>			<i>Governmental</i>	
	<i>Enterprise funds</i>			<i>Activities</i>	
	<i>Major</i>	<i>Non-Major</i>			
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Industrial Development Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash flows from investing activities:					
Interest received	7,150	4,691	530	12,371	658
Rent received	-	22,571	-	22,571	-
Net cash provided by investing activities	7,150	27,262	530	34,942	658
Net increase (decrease) in cash and cash equivalents	(136,282)	(1,329)	(163)	(137,774)	(29,445)
Cash and cash equivalents, beginning of year	379,109	159,136	17,416	555,661	43,870
Cash and cash equivalents, end of year	\$242,827	\$157,807	\$ 17,253	\$ 417,887	\$ 14,425
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (46,845)	\$ 33,856	\$ (10,694)	\$ (23,683)	\$ (10,229)
Adjustments:					
Depreciation	44,089	44,128	-	88,217	29,390
Change in assets and liabilities:					
Accounts receivable	(2,101)	(2,479)	-	(4,580)	-
Inventory	185	(716)	-	(531)	-
Accounts payable and accrued expenses	(42,527)	(1,604)	-	(44,131)	598
Net cash provided (used) by operating activities	\$ (47,199)	\$ 73,185	\$ (10,694)	\$ 15,292	\$ 19,759

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Joint Operation:

Southern Links Trailway Management Council - The Villages of Millington, Otter Lake, and Columbiaville as well as the City of Vassar, Townships of Millington, Marathon, and Forest, jointly established the Council for the purpose of operating and maintaining the Southern Links Trailway. Each member unit appoints two representatives to serve on the administrative board of the Council.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture	5-10 years
Equipment	5-25 years
Infrastructure	5-50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2006 taxable valuation of the Village totaled \$22,042,506, on which ad valorem taxes levied consisted of 14.0888 mills for the Village's operating purposes, of which 2.3775 mills was allocated to municipal streets.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$619,126 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$256,359 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

Water Fund Reserves:

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

Receiving Account – All receipts are initially deposited into this account.

Operation and Maintenance Account – Transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

Water Bond Reserve Account – Annually \$6,583.50 is to be transferred to this account until \$65,385 is accumulated.

Repair, Replacement, and Improvement Fund – Annually \$10,450 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$17,033.50 are to be deposited for the life of the loan.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

At February 28, 2007 the Village had these accounts established and had restricted cash as follows:

	REQUIREMENTS			Amount Funded
	February 28, 2006	Additions (Reductions)	February 28, 2007	Restricted Cash Balance February 28, 2007
Bond and interest redemption fund	\$ 32,553	\$ (285)	\$ 32,268	\$ 50,116
Bond reserve account	26,334	6,584	32,918	35,866
Repair, replacement and improvement fund	41,800	10,450	52,250	57,049
	<u>\$ 100,687</u>	<u>\$ 16,749</u>	<u>\$ 117,436</u>	<u>\$ 143,031</u>

Sewer Fund Reserve:

The Village has a contract payable with Tuscola County for the repayment of the 2006 Sanitary Sewer Treatment Facility Project Bonds. \$52,756 of the net proceeds from this bond issue has been spent as of February 28, 2007, leaving a balance held by the county of \$225,518.

NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended February 28, 2007 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Depreciable capital assets:				
Land improvements	662,968	17,201	-	680,169
Buildings and improvements	257,464	75,778	-	333,242
Furniture and fixtures	10,985	6,155	-	17,140
Equipment	377,968	60,633	-	438,601
Vehicles	158,215	27,389	(18,010)	167,594
Total depreciable capital assets	1,467,600	187,156	(18,010)	1,636,746
Accumulated depreciation	(423,841)	(52,084)	17,410	(458,515)
Depreciable capital assets, net	1,043,759	135,072	(600)	1,178,231
Governmental activities, capital assets, net	<u>\$ 1,055,259</u>	<u>\$ 135,072</u>	<u>\$ (600)</u>	<u>\$ 1,189,731</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>
Business-type activities:				
Depreciable capital assets				
Equipment	10,682	-	-	10,682
Vehicles	21,280	-	-	21,280
Distribution system	<u>3,790,964</u>	<u>186,173</u>	<u>-</u>	<u>3,977,137</u>
Total capital depreciable assets	3,822,926	186,173	-	4,009,099
Accumulated depreciation	<u>(1,114,093)</u>	<u>(88,217)</u>	<u>-</u>	<u>(1,202,310)</u>
Depreciable capital assets, net	<u>2,708,833</u>	<u>97,956</u>	<u>-</u>	<u>2,806,789</u>
Business-type activities, capital assets, net	<u>\$ 2,708,833</u>	<u>\$ 97,956</u>	<u>\$ -</u>	<u>\$ 2,806,789</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 7,534
Public safety	1,710
Public works	<u>42,840</u>
Total governmental activities	<u>\$ 52,084</u>
Business-type activities:	
Sewer	\$ 44,089
Water	<u>44,128</u>
Total business-type activities	<u>\$ 88,217</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 6: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2007 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>
<u>Governmental Activities</u>				
<i>Installment Purchase Contract:</i>				
2001 Issue - Dump Truck Loan				
Serial Current Interest Loan	12/1/06-12/1/16	4.75%	\$3,000-5,000	\$ 55,500
<u>Business-type Activities</u>				
<i>Revenue Bonds:</i>				
1988 Issue - Water Revenue Refunding Bonds				
Serial Current Interest Bonds	10/1/06-10/1/08	8.10-8.40%	30,000	265,000
2002 Issue - Water Revenue Bonds				
Serial Current Interest Bonds	9/1/06-9/1/42	4.5%	12,000-62,000	1,150,000
<i>General Obligation Bonds:</i>				
2005 Issue - Sewer General Obligation Bonds				
Serial Current Interest Bonds	4/1/07-4/1/25	3.50-4.55%	10,000-20,000	290,000
<i>Contracts Payable:</i>				
2005 Issue - Sewer Treatment Facility Project	10/1/07-10/1/25	4.50-4.75%	5,000-25,000	300,000
<u>Component Unit</u>				
<i>General Obligation Bonds:</i>				
2004 Issue - Downtown Development Limited				
Tax Bonds				
Serial Current Interest Bonds	12/1/06-12/1/23	4.00-4.90%	5,000-20,000	250,000
<i>Loan Payable:</i>				
2006 Issue - Streetscape Project	11/27/07-11/27/11	4.25%	17,995-21,254	97,945

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

The following is a summary of long-term liabilities transactions for the year ended February 28, 2007:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>	<i><u>Due Within One Year</u></i>
Governmental activities:					
Installment Purchase Contract					
2001 Issue	\$ 43,500	\$ -	\$ (3,000)	\$ 40,500	\$ 3,000
Total governmental activities					
- long-term liabilities	<u>\$ 43,500</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ 40,500</u>	<u>\$ 3,000</u>
Business-type activities:					
Revenue Bonds:					
1988 Issue	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000	\$ 30,000
2002 Issue	1,118,000	-	(12,000)	1,106,000	12,000
General Obligation Bonds:					
2005 Issue	290,000	-	(10,000)	280,000	10,000
Contract Payable:					
2005 Issue	<u>300,000</u>	<u>-</u>	<u>(5,000)</u>	<u>295,000</u>	<u>5,000</u>
Total business-type activities					
- long-term liabilities	<u>\$ 1,798,000</u>	<u>\$ -</u>	<u>\$ (57,000)</u>	<u>\$ 1,741,000</u>	<u>\$ 57,000</u>
Component units:					
General Obligation Bonds:					
2004 Issue	\$ 240,000	\$ -	\$ (5,000)	\$ 235,000	\$ 5,000
Loan payable					
2006 Issue	<u>-</u>	<u>97,945</u>	<u>-</u>	<u>97,945</u>	<u>17,995</u>
Total component units	<u>\$ 240,000</u>	<u>\$ 97,945</u>	<u>\$ (5,000)</u>	<u>\$ 332,945</u>	<u>\$ 22,995</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended February 28,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 3,000	\$ 1,924	\$ 4,924	\$ 57,000	\$ 82,226	\$ 139,226
2009	3,000	1,781	4,781	58,000	78,592	136,592
2010	4,000	1,639	5,639	28,000	74,878	102,878
2011	4,000	1,449	5,449	34,000	73,686	107,686
2012	4,000	1,259	5,259	35,000	72,221	107,221
2013-2017	22,500	3,350	25,850	215,000	336,203	551,203
2018-2022	-	-	-	285,000	281,484	566,484
2023-2027	-	-	-	314,000	208,450	522,450
2028-2032	-	-	-	169,000	154,470	323,470
2033-2037	-	-	-	215,000	110,202	325,202
2038-2042	-	-	-	269,000	54,246	323,246
2043	-	-	-	62,000	2,946	64,946
	<u>\$ 40,500</u>	<u>\$ 11,402</u>	<u>\$ 51,902</u>	<u>\$ 1,741,000</u>	<u>\$ 1,529,604</u>	<u>\$ 3,270,604</u>

<i>Year Ended February 28,</i>	<i>Component Unit</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 22,995	\$ 14,623	\$ 37,618
2009	28,751	13,667	42,418
2010	29,557	12,461	42,018
2011	30,388	11,230	41,618
2012	31,254	9,963	41,217
2013-2017	60,000	39,000	99,000
2018-2022	90,000	23,152	113,152
2023-2025	40,000	2,940	42,940
	<u>\$ 332,945</u>	<u>\$ 127,036</u>	<u>\$ 459,981</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Component Unit</u></i>
Receivables:			
Accounts	\$ 9,007	\$ 44,172	\$ -
Intergovernmental	<u>104,937</u>	<u>-</u>	<u>72,994</u>
Total receivables	<u>\$ 113,944</u>	<u>\$ 44,172</u>	<u>\$ 72,994</u>
Accounts payable and accrued expenses:			
Accounts	\$ 10,677	\$ 1,423	\$ -
Interest	481	34,777	2,615
Intergovernmental	<u>51,908</u>	<u>-</u>	<u>19,998</u>
Total accounts payable and accrued expenses	<u>\$ 63,066</u>	<u>\$ 36,200</u>	<u>\$ 22,613</u>

NOTE 9: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased insurance through the Michigan Municipal Employees' Retirement System (MERS) for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Municipal Liability and Property Pool are self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 3% for General and DPW employees and 7.2% for Police. The Village of Millington is required to contribute at actuarially determined rates; the current rates ranged from 4.82 to 5.40 percent of eligible payroll based on the December 31, 2004 valuation.

Annual Pension Costs – For year ended February 28, 2007, the Village's annual pension cost of \$ 8,539 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of February 28, follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual pension cost	\$ 8,539	\$ 10,761	\$ 11,005
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 11: COMPONENT UNIT REPORTING

A Balance Sheet as of February 28, 2007, Reconciliation of Fund Balance to Net Assets, Statement of Revenues, Expenditures, and Changes in Fund balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Net Assets for the year then ended for Downtown Development Authority follows:

BALANCE SHEET

Assets:

Cash and cash equivalents	\$ 13,283
Due from other governmental units	<u>72,994</u>
Total assets	<u>\$ 86,277</u>

Liabilities and Fund Balances:

Liabilities:

Accrued expenses	\$ 2,615
Due to other governmental units	<u>19,998</u>
Total liabilities	<u>22,613</u>

Fund Balances:

Unreserved	<u>63,664</u>
Total fund balances	<u>63,664</u>
Total liabilities and fund balances	<u>\$ 86,277</u>

RECONCILIATION OF FUND BALANCE TO NET ASSETS:

Fund balance for the governmental fund	\$ 63,664
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	<u>(332,945)</u>
Net assets (deficit), February 28, 2007	<u>\$ (269,281)</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2007

NOTE 11: COMPONENT UNIT REPORTING, continued

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues:

Property taxes	\$ 72,994
Federal grants	7,053
Other revenue	<u>2,950</u>
Total revenues	<u>82,997</u>

Expenditures:

Current	
Community and economic development	31,555
Debt service	
Principal	5,000
Interest and fees	<u>10,835</u>
Total expenditures	<u>47,390</u>
Excess (deficiency) of revenues over expenditures	35,607

Other financing sources (uses):

Proceeds from banks/loans/notes	<u>97,945</u>
Total other financing sources (uses)	<u>97,945</u>
Net change in fund balance	133,552
Fund balances (deficit), beginning of year	<u>(69,888)</u>
Fund balances, end of year	<u>\$ 63,664</u>

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS

Net change in fund balance -governmental fund	\$ 133,552
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Loan proceeds are revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(97,945)
Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.	<u>5,000</u>
Change in net assets of governmental activities	<u>\$ 40,607</u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 258,400	\$ 259,907	\$ 208,106	\$ (51,801)
State grants	123,300	123,300	119,980	(3,320)
Contributions from other units	-	17,262	17,262	-
Charges for services	4,440	6,390	2,638	(3,752)
Interest and rents	7,300	7,725	5,541	(2,184)
Other revenue	6,000	9,012	8,120	(892)
Total revenues	399,440	423,596	361,647	(61,949)
Expenditures:				
Current				
General government	134,180	148,538	138,226	(10,312)
Public safety	93,855	100,115	92,627	(7,488)
Public works	88,041	105,924	104,168	(1,756)
Recreation	4,500	7,000	6,875	(125)
Capital outlay	78,050	125,612	124,712	(900)
Total expenditures	398,626	487,189	466,608	(20,581)
Excess (deficiency) of revenues over expenditures	814	(63,593)	(104,961)	(41,368)
Other financing sources (uses):				
Transfers out	-	(10,000)	(10,000)	-
Total other financing sources (uses)	-	(10,000)	(10,000)	-
Net change in fund balance	814	(73,593)	(114,961)	(41,368)
Fund balance, beginning of year	228,768	228,768	228,768	-
Fund balance, end of year	\$ 229,582	\$ 155,175	\$ 113,807	\$ (41,368)

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 67,000	\$ 67,000	\$ 59,802	\$ (7,198)
Contributions from other units	9,350	9,436	10,481	1,045
Interest and rents	1,000	1,615	1,627	12
Other revenue	-	-	-	-
Total revenues	77,350	78,051	71,910	(6,141)
Expenditures:				
Current				
Public works	59,497	99,580	98,988	(592)
Total expenditures	59,497	99,580	98,988	(592)
Excess (deficiency) of revenues over expenditures	17,853	(21,529)	(27,078)	(5,549)
Fund balance, beginning of year	80,855	80,855	80,855	-
Fund balance, end of year	<u>\$ 98,708</u>	<u>\$ 59,326</u>	<u>\$ 53,777</u>	<u>\$ (5,549)</u>

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
			<i>Final Budget</i>	
State grants	\$ 27,000	\$ 27,000	\$ 23,982	\$ (3,018)
Contributions from other units	18,650	18,825	20,909	2,084
Interest and rents	1,000	4,000	4,074	74
Total revenues	46,700	49,875	48,965	(860)
Expenditures:				
Current				
Public works	33,560	46,231	37,704	(8,527)
Total expenditures	33,560	46,231	37,704	(8,527)
Excess (deficiency) of revenues over expenditures	13,140	3,644	11,261	7,667
Fund balance, beginning of year	244,095	244,095	244,095	-
Fund balance, end of year	<u>\$ 257,235</u>	<u>\$ 247,739</u>	<u>\$ 255,356</u>	<u>\$ 7,667</u>

VILLAGE OF MILLINGTON

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 28, 2007

The schedule of funding progress is as follows:

<i>Actuarial Valuation Date</i>	<i>12/31/05</i>	<i>12/31/04</i>	<i>12/31/03</i>
Actuarial Value of Assets	\$ 1,065,320	\$ 1,011,339	\$ 973,772
Actuarial Accrued Liability (AAL)	1,043,209	1,034,136	1,074,226
Unfunded AAL (UAAL)	(22,111)	22,797	100,454
Funded Ratio	102%	98%	91%
Covered Payroll	158,755	186,840	212,576
UAAL as a percentage of covered payroll	-14%	12%	47%

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2007

Current Taxes:

Property taxes	\$ 204,798
Penalties and interest on taxes	220
Administration fees	3,088
	<u>208,106</u>

State Grants:

Liquor license fees	1,233
State revenue sharing - sales tax	118,747
	<u>119,980</u>

Contribution from other units:

Contribution from Downtown Development Authority - Streetscape Project	7,262
Administrative Charges	10,000
	<u>17,262</u>

Charges for services:

Police services	920
Zoning/Variance/Appeals fees	1,200
Other	518
	<u>2,638</u>

Interest and rents:

Interest	3,341
Rents	2,200
	<u>5,541</u>

Other Revenue:

Reimbursements	6,512
Other	1,608
	<u>8,120</u>

Total revenues	<u><u>\$ 361,647</u></u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2007

General Government:

Village Council:

Personnel	\$ 8,045
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Accounting/Finance:

Personnel	61,196
Fringe benefits	19,247
Supplies	5,518
Contracted services	123
Telephone	2,822
Mileage	1,693
Dues and memberships	1,226
Education and training	325
Printing and publications	1,036
Insurance	6,817
Utilities	2,214
Equipment rental	323
Other	858
	<u>103,398</u>

Audit:

Contracted services	<u>2,409</u>
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Hall and Grounds:

Personnel	1,660
Fringe benefits	181
Supplies	2,832
Contracted services	3,075
Insurance	1,920
Utilities	10,000
Repairs and maintenance	1,138
Other	100
	<u>20,906</u>

Attorney:

Contracted services	<u>3,468</u>
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Total general government	<u>138,226</u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 28, 2007

Public Safety:

Police:

Personnel	53,800
Fringe benefits	22,213
Supplies	3,353
Contracted services	2,432
Telephone	1,148
Insurance	8,589
Utilities	1,092
	<u>92,627</u>
Total public safety	<u>92,627</u>

Public Works:

Department of Public Works:

Personnel	43,159
Fringe benefits	14,957
Supplies	3,941
Contracted services	180
Telephone	1,665
Mileage	42
Insurance	10,254
Utilities	4,100
Equipment rental	10,880
	<u>89,178</u>

Street Lights:

Utilities	<u>14,990</u>
Total public works	<u>104,168</u>

Recreation:

Parks and Recreation:

Contracted services	<u>6,875</u>
Total recreation	<u>6,875</u>

Capital Outlay:

General government	93,192
Public safety	2,200
Public works	<u>29,320</u>
Total capital outlay	<u>124,712</u>

Total expenditures	466,608
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Other Financing Uses:

Transfers to other funds	<u>10,000</u>
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Total expenditures and other financing uses	<u>\$ 476,608</u>
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VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

February 28, 2007

	<u>Special Revenue Funds</u>		
	<i>Village Improvement Fund</i>	<i>Garbage Collection Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Assets:			
Cash and cash equivalents	\$ 7,011	\$ 5,485	\$ 12,496
Accounts receivable	-	9,007	9,007
Total assets	<u>\$ 7,011</u>	<u>\$ 14,492</u>	<u>\$ 21,503</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 3,647	\$ 3,647
Total liabilities	<u>-</u>	<u>3,647</u>	<u>3,647</u>
Fund balances:			
Unreserved:			
Special revenue funds	<u>7,011</u>	<u>10,845</u>	<u>17,856</u>
Total fund balances	<u>7,011</u>	<u>10,845</u>	<u>17,856</u>
Total liabilities and fund balances	<u>\$ 7,011</u>	<u>\$ 14,492</u>	<u>\$ 21,503</u>

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2007

	<u>Special Revenue Funds</u>		
	<u>Village Improvement Fund</u>	<u>Garbage Collection Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Property taxes	\$ 52,111	\$ -	\$ 52,111
Charges for services	-	64,439	64,439
Interest and rents	458	502	960
Total revenues	<u>52,569</u>	<u>64,941</u>	<u>117,510</u>
Expenditures:			
Current			
Public works	<u>5,785</u>	<u>69,746</u>	<u>75,531</u>
Total expenditures	<u>5,785</u>	<u>69,746</u>	<u>75,531</u>
Excess (deficiency) of revenues over expenditures	<u>46,784</u>	<u>(4,805)</u>	<u>41,979</u>
Other financing sources (uses):			
Transfers out	<u>(56,780)</u>	<u>-</u>	<u>(56,780)</u>
Total other financing sources (uses)	<u>(56,780)</u>	<u>-</u>	<u>(56,780)</u>
Net change in fund balance	(9,996)	(4,805)	(14,801)
Fund balances, beginning of year	<u>17,007</u>	<u>15,650</u>	<u>32,657</u>
Fund balances, end of year	<u>\$ 7,011</u>	<u>\$ 10,845</u>	<u>\$ 17,856</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2007

2005 CONTRACT PAYABLE - SANITARY SEWER TREATMENT FACILITY

Issue dated 11/01/05 in the amount of \$ 300,000

Less: Principal paid in prior years -
Principal paid in current year (5,000)

Balance payable at February 28, 2007 \$ 295,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	
2008	4.50%	\$ 6,746	\$ 6,746	\$ 5,000	\$ 18,492
2009	4.50%	6,634	6,634	5,000	18,268
2010	4.50%	6,521	6,521	5,000	18,042
2011	4.50%	6,409	6,409	10,000	22,818
2012	4.50%	6,184	6,183	10,000	22,367
2013	4.50%	5,959	5,959	10,000	21,918
2014	4.50%	5,733	5,734	10,000	21,467
2015	4.50%	5,509	5,509	15,000	26,018
2016	4.50%	5,171	5,171	15,000	25,342
2017	4.50%	4,834	4,834	15,000	24,668
2018	4.50%	4,496	4,496	15,000	23,992
2019	4.50%	4,159	4,159	20,000	28,318
2020	4.50%	3,709	3,708	20,000	27,417
2021	4.55%	3,259	3,259	20,000	26,518
2022	4.60%	2,803	2,804	20,000	25,607
2023	4.65%	2,344	2,344	25,000	29,688
2024	4.65%	1,763	1,762	25,000	28,525
2025	4.70%	1,181	1,181	25,000	27,362
2026	4.75%	593	594	25,000	26,187
		<u>\$ 84,007</u>	<u>\$ 84,007</u>	<u>\$ 295,000</u>	<u>\$ 463,014</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2007

2005 SEWER IMPROVEMENT BONDS

Issue dated 1/20/05 in the amount of \$ 290,000

Less: Principal paid in prior years -
Principal paid in current year (10,000)

Balance payable at February 28, 2007 \$ 290,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>4/1</u>	
2008	3.500%	\$ 5,682	\$ 5,506	\$ 10,000	\$ 21,188
2009	3.500%	5,507	5,331	10,000	20,838
2010	3.50%	5,332	5,156	10,000	20,488
2011	3.50%	5,157	4,981	10,000	20,138
2012	3.50%	4,982	4,806	10,000	19,788
2013	3.65%	4,807	4,631	10,000	19,438
2014	3.75%	4,632	4,449	10,000	19,081
2015	3.90%	4,449	4,167	15,000	23,616
2016	4.00%	4,168	3,875	15,000	23,043
2017	4.05%	3,875	3,575	15,000	22,450
2018	4.15%	3,575	3,271	15,000	21,846
2019	4.20%	3,271	2,960	15,000	21,231
2020	4.43%	2,960	2,645	15,000	20,605
2021	4.30%	2,645	2,220	20,000	24,865
2022	4.40%	2,220	1,789	20,000	24,009
2023	4.45%	1,790	1,350	20,000	23,140
2024	4.50%	1,350	905	20,000	22,255
2025	4.50%	905	455	20,000	21,360
2026	4.55%	455	-	20,000	20,455
		<u>\$ 67,762</u>	<u>\$ 62,072</u>	<u>\$ 280,000</u>	<u>\$ 409,834</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2007

2002 Water Supply System Revenue Bonds

Issue dated 7/23/02 in the amount of \$ 1,150,000

Less: Principal paid in prior years (32,000)
Principal paid in current year (12,000)

Balance payable at February 28, 2007 \$ 1,106,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total Annual Requirement</u>
		<u>3/1</u>	<u>9/1</u>	<u>9/1</u>		
2008	4.750%	\$ 26,268	\$ 26,268	\$ 12,000	\$	64,536
2009	4.750%	25,983	25,983	13,000		64,966
2010	4.750%	25,674	25,674	13,000		64,348
2011	4.750%	25,365	25,365	14,000		64,730
2012	4.750%	25,033	25,033	15,000		65,066
2013	4.750%	24,676	24,676	15,000		64,352
2014	4.750%	24,320	24,320	16,000		64,640
2015	4.750%	23,940	23,940	17,000		64,880
2016	4.750%	23,536	23,536	18,000		65,072
2017	4.750%	23,109	23,109	19,000		65,218
2018	4.750%	22,658	22,658	19,000		64,316
2019	4.750%	22,206	22,206	20,000		64,412
2020	4.750%	21,731	21,731	21,000		64,462
2021	4.750%	21,233	21,233	22,000		64,466
2022	4.750%	20,710	20,710	23,000		64,420
2023	4.750%	20,164	20,164	24,000		64,328
2024	4.750%	19,594	19,594	26,000		65,188
2025	4.750%	18,976	18,976	27,000		64,952
2026	4.750%	18,335	18,335	28,000		64,670
2027	4.750%	17,670	17,670	29,000		64,340
2028	4.750%	16,981	16,981	31,000		64,962
2029	4.750%	16,245	16,245	32,000		64,490
2030	4.750%	15,485	15,485	34,000		64,970
2031	4.750%	14,678	14,678	35,000		64,356
2032	4.750%	13,846	13,846	37,000		64,692
2033	4.750%	12,968	12,968	39,000		64,936

continued

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2007

2002 Water Supply System Revenue Bonds, continued

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u>		<u><i>Principal Due</i></u>	<u><i>Total Annual Requirement</i></u>
		<u><i>3/1</i></u>	<u><i>9/1</i></u>	<u><i>9/1</i></u>	
2034	4.750%	12,041	12,041	41,000	65,082
2035	4.750%	11,068	11,068	43,000	65,136
2036	4.750%	10,046	10,046	45,000	65,092
2037	4.750%	8,978	8,978	47,000	64,956
2038	4.750%	7,861	7,861	49,000	64,722
2039	4.750%	6,698	6,698	51,000	64,396
2040	4.750%	5,486	5,486	54,000	64,972
2041	4.750%	4,204	4,204	56,000	64,408
2042	4.750%	2,874	2,874	59,000	64,748
2043	4.750%	1,473	1,473	62,000	64,946
		<u>\$ 612,113</u>	<u>\$ 612,113</u>	<u>\$ 1,106,000</u>	<u>\$ 2,330,226</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2007

1998 WATER REVENUE REFUNDING BONDS

Issue dated 6/1/88 in the amount of \$ 350,000

Less: Principal paid in prior years (260,000)
Principal paid in current year (30,000)

Balance payable at February 28, 2007 \$ 60,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	
2008	8.300%	\$ 2,505	\$ 2,505	\$ 30,000	\$ 35,010
2009	8.400%	<u>1,260</u>	<u>1,260</u>	<u>30,000</u>	<u>32,520</u>
		<u>\$ 3,765</u>	<u>\$ 3,765</u>	<u>\$ 60,000</u>	<u>\$ 67,530</u>

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2007

2001 INSTALLMENT PURCHASE CONTRACT

Issue dated 12/04/01 in the amount of	\$ 55,500
Less: Principal paid in prior years	(12,000)
Principal paid in current year	<u>(3,000)</u>
Balance payable at February 28, 2007	<u><u>\$ 40,500</u></u>

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u> <u><i>12/1</i></u>	<u><i>Principal Due</i></u> <u><i>12/1</i></u>	<u><i>Total</i></u> <u><i>Annual</i></u> <u><i>Requirement</i></u>
2008	4.750%	\$ 1,924	\$ 3,000	\$ 4,924
2009	4.750%	1,781	3,000	4,781
2010	4.750%	1,639	4,000	5,639
2011	4.750%	1,449	4,000	5,449
2012	4.750%	1,259	4,000	5,259
2013	4.750%	1,069	4,000	5,069
2014	4.750%	879	4,000	4,879
2015	4.750%	689	4,500	5,189
2016	4.750%	475	5,000	5,475
2017	4.750%	<u>238</u>	<u>5,000</u>	<u>5,238</u>
		<u><u>\$ 11,402</u></u>	<u><u>\$ 40,500</u></u>	<u><u>\$ 51,902</u></u>

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 28, 2007

2004 DOWNTOWN DEVELOPMENT LIMITED TAX BONDS

Issue dated 5/1/05 in the amount of \$ 250,000

Less: Principal paid in prior years (10,000)
Principal paid in current year (5,000)

Balance payable at February 28, 2007 \$ 235,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>12/1</u>		
2008	4.000%	\$ 5,230	\$ 5,230	\$ 5,000	\$	15,460
2009	4.000%	5,130	5,130	10,000		20,260
2010	4.000%	4,930	4,930	10,000		19,860
2011	4.000%	4,730	4,730	10,000		19,460
2012	4.000%	4,530	4,530	10,000		19,060
2013	4.000%	4,330	4,330	10,000		18,660
2014	4.050%	4,130	4,130	10,000		18,260
2015	4.200%	3,928	3,927	10,000		17,855
2016	4.300%	3,717	3,718	15,000		22,435
2017	4.400%	3,395	3,395	15,000		21,790
2018	4.450%	3,065	3,065	15,000		21,130
2019	4.550%	2,731	2,731	15,000		20,462
2020	4.600%	2,390	2,390	20,000		24,780
2021	4.700%	1,930	1,930	20,000		23,860
2022	4.800%	1,460	1,460	20,000		22,920
2023	4.900%	980	980	20,000		21,960
2024	4.900%	490	490	20,000		20,980
		<u>\$ 57,096</u>	<u>\$ 57,096</u>	<u>\$ 235,000</u>	<u>\$</u>	<u>349,192</u>

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 28, 2007

2006 DOWNTOWN DEVELOPMENT LOAN PAYABLE

Issue dated 11/27/06 in the amount of \$ 97,945

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at February 28, 2007 \$ 97,945

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>	<u>Principal Due</u>	<u>Total</u>
		<u>11/27</u>	<u>11/27</u>	<u>Annual Requirement</u>
2008	4.250%	\$ 4,163	\$ 17,995	\$ 22,158
2009	4.250%	3,407	18,751	22,158
2010	4.250%	2,601	19,557	22,158
2011	4.250%	1,770	20,388	22,158
2012	4.250%	<u>903</u>	<u>21,254</u>	<u>22,157</u>
		<u>\$ 12,844</u>	<u>\$ 97,945</u>	<u>\$ 110,789</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of and for the year ended February 28, 2007, which collectively comprise the Village of Millington's basic financial statements and have issued our report thereon dated April 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Millington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Millington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

April 25, 2007